



Public-Private Partnerships

The Key to Retaining Government and Industry Capabilities

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The current DoD budget uncertainty highlights the necessity of leveraging the best capabilities of the public and private industrial base across government and industry to optimize weapon system product support at best value cost. Public-Private Partnerships (PPPs) are a key component of DoD product support strategies assuring synergistic application of these critical capabilities to achieve affordable operational readiness for the warfighter.

Indeed, PPPs are a fundamental element of DoD's primary product support strategy—Performance-Based Logistics (PBL). In the years ahead, PPPs promise to be a keystone of DoD's pursuit of broader and more effective implementation of PBL through its recently initiated "Next-generation PBL" initiative.

A PPP is defined in the DoD *Public-Private Partnerships for Sustainment Guidebook*, Feb. 1, 2012, as "a cooperative arrangement between an organic product support provider and one or more private sector entities to perform defense-related work utilizing DoD facilities and equipment, or both. Other government organizations, such as

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program offices, inventory control points, and sustainment commands, may be parties to such agreements.”

DoD Policy on Public-Private Partnerships

DoD policy on public-private partnerships is reflected in DoDD 5000.01, *The Defense Acquisition System*, paragraph E1.17, certified current as of Nov. 20, 2007, which states: “Sustainment strategies shall include the best use of public and private sector capabilities through government/industry partnering initiatives, in accordance with statutory requirements.”

DoDI 4151.21, *Public-Private Partnerships for Depot-Level Maintenance*, April 25, 2007, states: “Public-private partnerships for depot-level maintenance shall be employed whenever cost effective in providing improved support to the warfighter, and to maximize the utilization of the government’s facilities, equipment, and personnel at DoD depot-level maintenance activities.”

It adds: “Performance-Based Logistics implementation strategies shall consider public-private partnerships to satisfy the core capabilities requirements of section 2464 and the limitations on the performance of depot-level maintenance and materiel requirements contained in section 2466.”

It’s clear that public-private partnering is not only encouraged by DoD but consideration also is directed in policy.

Governance

An important body in shaping DoD policies and guidance for PPPs is the Industrial Integration Integrated Product Team (IIIPT), a joint government-industry IPT co-chaired by the Offices of the Deputy Assistant Secretary of Defense for Maintenance Policy and Programs (ODASD/MPP) and the Deputy Assistant Secretary of Defense for Materiel Readiness (ODASD/MR). The IIIPT was chartered in 2008 in response to the Weapon Systems Acquisition Reform Act.

The charter includes the following objectives:

- Align and expand the collaboration between government and industry that produces best value partnering practices.
- Support the capture of a broader set of baseline data, including types, size, structure, and characteristics of partnering agreements.
- Establish policy and training to expand partnering beyond maintenance.
- Drive standardization across Services.
- Promote proactive establishment of single-source repair capability.
- Identify opportunities to improve policy to enable maximum implementation of industrial integration.

In its pursuit of these objectives, the IIIPT was instrumental in the development and publication of the DoD *Public-Private Partnering for Sustainment Guidebook* (February 2012). The

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guidebook provides a wealth of information on PPP law, strategies, and best practices.

Another major initiative by the IIIP is the strategic approach of conducting a series of Public-Private Partnering Workshops and Conferences for working with the depots and the PPP community in sharing and capturing issues, lessons learned and best practices

This strategic approach was validated during a recent (OSD) PPP workshop held at Layton, Utah, Aug. 21-23. The workshop was hosted by John Johns (DASD/MPP). John Sutton (ODASD/MPP), and Mark Gajda (ODASD/MR) co-chaired the meeting. More than 150 representatives from Office of the Secretary of Defense, the Services and industry participated in identifying issues, lessons learned, and best practices for effective public-private partnering.

Public-Private Partnership Categories

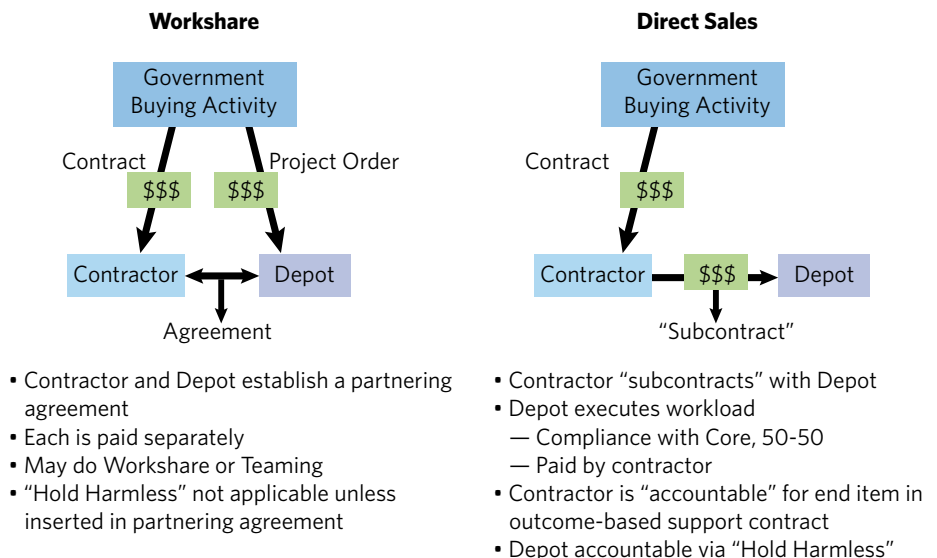
PPPs are predominately depot maintenance-oriented and typically fall into one of three categories:

- **Workshare:** An arrangement in which a government buying activity, in collaboration with a contractor and an organic depot, determines the optimal allocation of workload between the depot and contractor. The buying activity funds the commercial provider through a contract and funds the depot separately through a project order or work order. Each provider then performs its allocated portion of the workload. The partnering agreement between the contractor and depot (often in the form of a Memorandum of Understanding or Agreement) defines the roles and responsibilities of each.
- **Direct Sales:** An arrangement under which an organic depot enters into a contractual-type relationship with

a contractor to sell articles or services to the contractor. Direct sales agreements are pursuant to higher-level agreements between a government-buying activity and a contractor for provision of articles and services to the government. The commercial firm, in turn, concludes an implementation agreement with the depot to obtain articles and services in support of its contract with the government buying activity. Funding for direct sales PPPs flows from the government buying activity through the contractor to the depot.

A side-by-side contrast between Workshare vs. Direct Sales PPPs is illustrated in Figure 1.

Figure 1. Comparison of Workshare vs. Direct Sales Public-Private Partnerships.



- **Lease:** An arrangement that provides a contractor access to and beneficial use of an organic depot’s facilities and/or equipment, so long as the arrangement does not preclude the depot from performing its mission. Leases promote efficiency through better utilization of depot facilities. Contractor payments can be made in cash or via “in kind” consideration.

U.S.C. Title 10 Statutes

Major factors affecting the governance of public-private partnerships are the U.S.C. Title 10 statutes, which provide a framework and boundaries for workload allocation in these partnerships.

Figure 2 summarizes the key U.S.C. Title 10 statutes and their impacts on PPPs.

Critical Success Factors

There are several critical success factors that facilitate long term PPPs including the following:

- Long-term committed relationships, executed with flexibility and integrated across organizational boundaries, with complementary skill sets and abilities.
- Shared vision and objectives with the right metrics and incentives to drive alignment, supported by a clear delineation of complementary roles and responsibilities.
- Full coordination with all stakeholders, supported by transparency, open communication, and the flexibility to change relationship scope.
- Clearly documented objectives to support alignment through incentives that drive desired outcomes and are supported by sound economic analysis.

- The use of outcome-based product support strategies that support construction of a sustainment strategy that can fall anywhere along a continuum from wholly DoD to wholly contractor, with an unlimited amount of mixed support in-between.
- More heavily leveraged industry capabilities of the commercial sector, organic government capabilities, or an integrated best-value mix of commercial and organic-sector competencies, capabilities, and expertise.
- Outcome based support is not outsourcing. The blend can evolve over time.

Public-Private Partnering Issues

A number of issues need to be addressed to improve public-private partnering. These issues include the need for additional PPP education and training, especially PPP statutes, best practices, Business Case Analyses (BCA) and metrics, contracts and partnership agreement negotiation, documentation and implementation. This training could include online and classroom courses, as well as targeted “just in time” training for organizations considering embarking on PPPs. Specific issues that need to be addressed fall into the following categories: BCAs, Metrics, and Contracts as described below:

- **BCAs:**
 - High-quality BCAs need to be identified for benchmarking purposes in order to develop a scalable and flexible BCA process.
 - Existing product support BCA guidance needs to be updated and strengthened to ensure proper consideration of PPPs in the sustainment decision-making model.
 - Ways to consider and address external variables that affect BCAs need to be determined.

Figure 2. Key U.S.C. Title 10 Statutes That Impact Public-Private Partnerships

Section	Known as:	Addresses:	Workload Allocation Impact
2460	Depot Mx	Defines depot level maintenance as “touch labor”.	Provides the conceptual basis for other statutes that govern depot maintenance.
2464	CORE	Requires DoD to maintain core depot-level maintenance and repair capabilities in support of mission-essential weapon systems needed to support combatant command operations and DoD strategic, contingency, and emergency plans.	DoD depots must maintain core capability sufficient to accomplish core requirements calculated in accordance with DoDI 4151.20. Depots must be in place NLT 4 years after IOC.”
2466	50/50	Limits the funds spent on depot maintenance and repair workload by nonfederal employees to 50 percent of the total annual spending calculated at the Service level by fiscal year.	Computed at military Service level annually.
2474	CITE	Adoption of “best business practices” at all organic depots requires SECDEF to designate each depot as a Center of Industrial and Technical Excellence (CITE).	Authorizes and encourages public-private partnerships with CITE. Provides exemption to 2466 limitation on contract work for contractor depot maintenance performed at a CITE pursuant to a PPP. Enables depot activities to become subcontractors to commercial Product Support Integrators (PSI), thus incorporating repaired items in an overall PBL contract.

- A RASCI (responsible, accountable, supporting, controlling, informing) index needs to be developed to clarify accountability and ownership among the various BCA stakeholders.
- Metrics:
 - A PPP metrics framework needs to be developed that links PPP metrics to PPP objectives and expected benefits.
 - A standard balanced scorecard format for reporting PPP benefits needs to be created.
 - An automated PPP metric toolbox needs to be established. Features would include aligning PPP metrics to PPP objectives identified in 10 U.S.C. 2474 and DoDI 4151.21 and providing the means of tracking and reporting on actual progress of specific PPPs.
- Contracts
 - An OSD-level PPP automated knowledge management system needs to be developed to capture PPP lessons learned and best practices.
 - PPP guidance needs updating to promote early collaboration on PPPs.
 - A toolbox of aids for relationship-fostering and management of PPPs needs to be established. Tools would promote standardization of PPPs and could include standard processes, language, and templates.
 - Standard indemnification language for use in contracts and partnering agreements needs to be created to ensure consistency across application in the DoD.
 - A standard, transparent depot source of repair (DSOR) assignment process needs to be developed. The process needs to provide for consistent application of statutory law (e.g., 10 U.S.C. 2464, depot-level maintenance core) to the DSOR assignment process.


What's Next?

The IIPT is overseeing and guiding project teams that have been formed and aligned to follow up on public-private partnering issues. These teams are already holding separate meetings to come up with action plans to resolve issues. The target date for completion of the project initiatives is August 2013.

The PPP workshop is an annual event in a process that pursues long-range programmatic objectives. As part of this process, project teams presented this year's status updates on their activities at the AIA Fall Product Support Conference (Charleston, Oct. 29-31), and again at the DoD Maintenance Symposium (Grand Rapids, Nov. 13-16).

IIPT work also is being overseen by the Product Support Executive committee, a senior management activity formed in response to the Weapon Systems Acquisition Reform Act. The next PPP Workshop is tentatively slated for September 2013 in Warren, Mich., with the U.S. Army Tank-automotive and Armaments Command serving as site host.

Conclusion

As the depot maintenance budget cuts and corresponding capability reductions are realized, it is critical that the process be proactively managed by the DoD depot maintenance enterprise to ensure retention of an optimal defense industrial base, both public and private. The collaboration of both sectors will be crucial to promoting and enhancing public-private partnerships as a way to provide effective product support and ensure the survival of key capabilities within the industrial base, improve public depot performance, and reduce costs. 

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